

- United experienced a 17% drop in its number of basic service suspensions from 1993 to 1994.
- Commonwealth's suspensions remained stable from 1993 to 1994.
- Alltel experienced a 12% increase in the number of suspensions from 1993 to 1994.

Suspension Rate

As is true with other performance measures, differences in company size make it difficult to compare companies based on raw numbers of suspensions. Thus, a uniform measure is calculated to compare how often companies resort to suspension of residential service. The suspension rate, as shown in Table 6, is calculated by dividing the annual number of suspensions by the monthly average number of residential customers. This rate represents the percentage of residential service suspensions.

Table 6 — Suspension Rate*

Company	1993	1994
Alltel	7.92%	8.68%
Bell	7.58%	4.20%
Commonwealth	14.11%	14.03%
GTE	20.34%	13.18%
United	5.69%	4.63%
Average*	11.13%	8.94%

*Annual suspensions as a percentage of the monthly average number of residential customers

*Mean of Scores

Please Note: Suspension rates for Alltel, Bell and United represent basic service suspensions. Suspension rates for Commonwealth and GTE include basic, nonbasic and toll service suspensions.

Among the findings revealed in Table 6:

- As a group, the suspension rate for the telephone industry was lower in 1994 than in 1993. Alltel was the only company to experience an increase in its suspension rate from 1993 to 1994. The four other major companies (Bell, Commonwealth, GTE and United) experienced decreases in their suspension rates during this period.

Termination of Service

Termination is the permanent cessation of service without the customer's consent. Termination of service occurs after a customer's service has been suspended. Companies have more suspensions than terminations because customers must go through the suspension process before their service is terminated. Many suspended customers pay their bills and avoid termination. Once termination takes place they cease to be customers. If customers who have their service terminated wish to reestablish their service, they must apply for service as new applicants - under 52 PA Code, Chapter 64 - with rights that are more limited than when they were established customers. This requirement makes it important for the Commission to examine both basic service suspensions and terminations. The major telephone companies terminated 108,420 residential service accounts in 1994 (see Table 7).

Table 7 — Number of Residential Service Terminations

Company	1993	1994	Percent Change 1993-1994
Alltel	3,228	3,252	1%
Bell	93,132	87,480	-6%
Commonwealth	3,144	2,772	-12%
GTE	14,220	8,988	-37%
United	5,976	5,928	-1%
Total	119,700	108,420	-9%

Among the findings revealed in Table 7:

- GTE terminated significantly fewer residential accounts in 1994 than in 1993. The Bureau finds this 37% decrease encouraging since it means that fewer households lost phone service in 1994.
- Bell had fewer terminations in 1994 than in 1993. Again, it appears that changes in Bell's collection procedures related to payment agreements may have enabled more customers to maintain their phone service.
- Commonwealth had fewer service terminations in 1994.
- Alltel's service terminations remained somewhat stable from 1993 to 1994.
- United's service terminations stayed the same in 1994.

Termination Rate

The Bureau calculates a uniform measure to compare how often companies terminate residential service. As with the suspension rate, the termination rate represents the percentage of residential customers whose service was terminated. The termination rate, as shown in Table 8, is calculated by dividing the annual number of terminations by the monthly average number of residential customers. For example, if the termination rate is 4%, then it means that the equivalent of 4% of the residential customers have service terminated annually (see Table 8).

Table 8 — Termination Rate*

Company	1993	1994
Alltel	1.99%	1.95%
Bell	2.59%	2.39%
Commonwealth	1.89%	1.63%
GTE	3.29%	1.98%
United	2.32%	2.26%
Average*	2.42%	2.04%

*Annual terminations as a percentage of the monthly average number of residential customers.

*Mean of Scores

Among the findings revealed in Table 8:

- Although Bell had fewer terminations in 1994, Bell's termination rate (2.39%) was the highest in the industry in 1994.
- Considering the significant decrease in the number of GTE's terminations, it is not surprising that the company's termination rate dropped from 3.29% in 1993 to 1.98% in 1994.
- United's termination rate remained stable from 1993 to 1994.
- Alltel's termination rate was next to the lowest in the industry in 1994.
- Commonwealth had the lowest termination rate (1.63%) in 1994 and the company maintained the lowest termination rate in the industry for the third consecutive year.

Residential Billings Written Off As Uncollectible

Overdue accounts directly affect the cost of utility service in two ways. First, the cost of collecting hundreds of thousands of unpaid bills is substantial. Second, once an account is terminated, companies may issue a final bill for the amount that is owed. If companies are unable to collect final bills, they may write these amounts off as an uncollectible expense. These expenses increase the cost of service for all customers. Toll service accounts for the largest portion of unpaid telephone bills. Major companies reported that 60% of their overdue bills were due to unpaid toll services. Much of that unpaid toll service was service provided by long distance companies and other service providers. Long distance companies and other phone service providers may contract with local phone companies to bill and collect these toll charges. Most major companies have contracts with long distance companies for collecting unpaid toll bills. It is difficult for the Bureau to determine what portion of unpaid toll service is really an uncollectible expense for local companies since companies do not provide a breakdown of bills, revenues, and write-offs by basic, local toll and long distance toll service charges.

Uncollectibles can be presented as either gross write-offs or net write-offs. Gross write-offs are the amount of money in overdue accounts written off as uncollectible for the entire calendar year. Net write-offs are gross write-offs minus the amount of any previously written-off amount which was recovered by the company during the year. In 1994, telephone companies reported over \$92 million in gross write-offs and nearly \$79 million in net write-offs. Write-offs (within limits) are treated as an expense in traditional rate filings. This means that these losses may be recovered in the rates that customers pay. Unfortunately, the exact impact of write-offs cannot be reflected here because the statistics necessary for analyzing such an impact are not accurately reported by companies. In addition to providing the necessary statistics, companies should also be required to give the multiple balance breakdowns so the Bureau can assess the true impact of uncollectibles from various services.

In order to measure and compare the telephone industry's collection system performance relative to uncollectible accounts, the Bureau uses the statistic, "percentage of revenues written-off as uncollectible." The percentage of revenues written-off as uncollectible for telephone companies is calculated by dividing net write-offs by gross revenues. The Bureau uses telephone companies' net write-offs because they reflect the amounts actually lost. By using net write-offs in this calculation, the BCS can better measure the effectiveness of the telephone industry's ongoing collection activities (see Table 9).

**Table 9 — Percentage of Residential Billings
Written Off As Uncollectible**

Company	1993	1994	Percent Change 1993-1994
Alltel	1.59%	2.74%	72%
Bell	2.88%	2.88%	No change
Commonwealth	1.20%	1.00%	-16%
GTE	5.14%	3.91%	-24%
United	1.29%	1.22%	-6%
Average*	2.42%	2.35%	-3%

* Mean of Scores

Among the findings revealed in Table 9:

- GTE substantially reduced its percentage of revenues written off as uncollectible from 1993 to 1994. GTE attributes this improvement to the concentrated efforts of the company's National Credit Management Center. While the Bureau is encouraged by these efforts, GTE has more work to do in this area since its percentage of revenues written off as uncollectible remains the highest in the industry.
- Bell's percentage of revenues written off as uncollectible remained stable from 1993 to 1994, leaving the company with next to the highest percentage of revenues written off in the industry in 1994.
- As a result of a dramatic increase (72%), Alltel's percentage of revenues written off as uncollectible jumped from 1.59% in 1993 to 2.74% in 1994. The Bureau urges Alltel to make a concerted effort to reduce write-offs.
- United experienced a modest decline in its percentage of revenues written off as uncollectible, which gave the company the next to the lowest percentage of revenues written off as uncollectible.

- Commonwealth's percentage of revenues written off as uncollectible was less than half of the industry's average and the lowest among major companies in 1994. Commonwealth attributes these positive results with uncollectibles to the use of outside collection agencies which met with greater success in the collection of written-off accounts.

Chapter Summary

Overdue Accounts

Overall, the percentage of customers overdue decreased from 29.2% in 1993 to 26.7% in 1994. This means that more than one in four residential customers was reported as having an overdue telephone bill during 1994. This level of overdue customers is significant because of the level of potential risk overdue bills present. Only through more effective collection policies can companies reduce the number of overdue customers and reduce the potential risk of uncollectible bills.

Weighted Arrearage

The weighted arrearage scores show that the major companies performance in this area varied. In 1994, the average overdue bill for the telephone industry represented slightly less than two months of average bills. Since it is harder for companies to collect older arrearages, the older the arrearage is, the more likely it will be written off. The Bureau urges the industry to continue to make improvements in collecting unpaid bills.

Suspensions and Terminations

As a group, the suspension rate for the telephone industry was higher in 1993 than in 1994. With the exception of Alltel, major companies (Bell, Commonwealth, GTE and United) experienced a decrease in their suspension rates. Unfortunately, the Bureau cannot determine what type of service suspensions (basic, nonbasic or toll) caused the rates to decrease in 1994 because this suspension information is not provided by basic, nonbasic and toll.

The major telephone companies had fewer service terminations in 1994. The Bureau believes that it is important to determine how suspension practices impact on the number of service terminations. However, the Bureau finds it difficult to determine how many basic service suspensions ended in terminations because of the way companies collect and report their residential basic suspension data.

Residential Billings Written-Off As Uncollectible

EXHIBIT "F"

PAGE 14

From 1993 to 1994, the percentage of revenues written off as uncollectible by major telephone companies decreased 3%. At first glance, this appears to be a modest decrease. Nevertheless, this comparatively modest decrease represents millions of dollars in revenue for the industry.



**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265**

EXHIBIT "G"
PAGE 1

April 13, 1995

MR JOHN O DUDLEY
REGIONAL DIRECTOR
EXTERNAL AFFAIRS
GENERAL TELEPHONE COMPANY OF PENNSYLVANIA
PO BOX 12060
HARRISBURG PA 17108

Dear Mr. Dudley:

As you know, the Bureau of Consumer Services (BCS) examines GTE's Annual Local Exchange Carrier Report each year to evaluate the company's collection practices and compliance with 52 PA Code Chapter §64.201. In addition, the BCS evaluates the effectiveness of changes to company collection policies and procedures by analyzing the data provided in this report.

The purpose of this letter is to ask you whether there has been any modification of collection policies or procedures that could have effected the data reported in GTE's 1994 report. Additionally, we want to know if the way the company collects or reports data has changed since 1993.

Enclosed is a list of general questions regarding data collection and reporting as well as specific questions about GTE's 1994 report. I would appreciate receiving your response, in writing, no later than April 28, 1995. If you need additional information or have any questions, please call me at (717) 783-9090.

Sincerely,

A handwritten signature in cursive script that reads "Lenora M. Best".

Lenora M. Best, Manager
Planning & Program Evaluation

LMB:lkj

Enclosure

1994 §64.201 Residential Report Questions GTE

1. Are any of the data items reported in the company's 1994 residential account report based on estimates? If so, which items are estimated?
2. Has there been any modification to the company's collection policy or procedures that could have effected the data reported? If so, what policies changed and how did they effect the data reported in the company's 1994 report?
3. Why has the number of overdue accounts decreased from 1993 to 1994?
4. Why has the number of service suspensions and terminations decreased from 1993 to 1994?
5. Why has the number of disputes increased from 1993 to 1994? Has there been any change in the way the company identifies, tracks or reports disputes?
6. Why did the amount of net write-offs of uncollectible accounts decrease from 1993 to 1994?



PENNSYLVANIA
PUBLIC UTILITY COMMISSION

APR 27 1995

BUREAU OF CONSUMER SERVICES

John O. Dudley
Regional Director
External Affairs
April 27, 1995

GTE Telephone Operations
North Area

Suite 600
212 Locust Street
P.O. Box 12060
Harrisburg, PA 17108
717 234-5425
Fax: 717 234-1456

Ms. Lenora M. Best, Manager
Planning and Program Evaluation
Bureau of Consumer Services
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Dear Ms. Best:

In response to your April 13, 1995, correspondence which was received April 17, 1995, GTE submits the following answers to your inquiries:

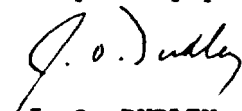
1. No. All data on the 1994 \$64.201 report is actual.
2. GTE is always in the process of determining and reacting to the changing environment in the telecommunications industry. Our goal is to be the easiest company to do business with, therefore how we deal with our customers is paramount to our success. Policies and procedures will be fine tuned from time to time to accommodate our goals.
3. GTE has been more proactive in identifying customers with special circumstances. Therefore, GTE has been able to offer payment arrangements to these customers to keep them current and on the network.
4. Please refer to response number three.
5. Identified in the 1993 report, BCS took exception to the reduction in disputes from 1992. With this in mind, GTE concentrated on training and identifying disputes with our customers so that disputes are more efficiently recognized by our contact personnel.

Ms. Lenora M. Best
April 27, 1995
Page 2

6. Net write-offs of uncollectible accounts decreased primarily due to the concentrated and expert efforts of GTE's National Credit Management Center in Hershey. However, GTE is not satisfied with this improvement. GTE intends to develop plans to enhance GTE's ability to collect. Proactive and innovative procedures such as GTE's Advanced Credit Management tariff currently pending before the PUC need to be implemented to assist in this area.

Thank you for your interest in GTE's business and how we relate to our customers. As always, please contact me with any other questions that could assist you in preparing your report.

Very truly yours,



J. O. DUDLEY

JOD:JRW;slh



RECEIVED

95 SEP -8 AM 9:33

PA P.U.C.
INFO. CONTROL DIV.

**GTE Telephone Operations
North Area**

Suite 600
212 Locust Street
P.O. Box 12060
Harrisburg, PA 17108
717 234-5425
Fax: 717 234-1456

John O. Dudley
Regional Director
External Affairs
September 8, 1995

RECEIVED

SEP 14 1995

Mr. John G. Alford, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

PA P.U.C.
LAW BUREAU

P-00950967

Dear Mr. Alford:

Enclosed for filing are an original and nine copies of an Application For Wavier of the Pennsylvania Public Utility Commission's regulations with respect to GTE North Incorporated's filing of its Advanced Credit Management Tariff of December 9, 1994. Please time stamp one copy for remittance back to me.

Enclosed with the Wavier is a copy of the tariff that was originally filed, and examples of customer notifications for review. Please note that GTE can alter language on these notices to accommodate certain Commission requirements.

Should there be any questions regarding this filing, please contact me.

Very truly yours,

J. O. DUDLEY

JOD:JRW;slh
Enclosures (2)

RECEIVED

SEP 14 1995
PA. REG. NO. 40280
LAW BUREAU
INFO. CONTROL DIV.
14 9:33


BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re Advanced Credit Management :
Tariff : Docket No.

GTE NORTH INCORPORATED'S APPLICATION FOR WAIVER

GTE North Incorporated ("GTE North"), pursuant to 52 Pa. Code §64.212, hereby makes application for a waiver of certain provisions of Chapter 64 of the Pennsylvania Code (hereinafter "Chapter 64"). GTE North seeks this waiver in connection with the filing of a new tariff for Advanced Credit Management ("ACM"). ACM is a process whereby GTE North will establish credit limits for message toll service for new and existing customers. These credit limits, when exceeded, will be used to block toll services to customers who have exceeded their credit limit. GTE North believes that ACM will have a significant impact on reducing GTE North's uncollectibles. The current level of uncollectibles constitutes an unreasonable hardship which the requested waivers will help alleviate.

In the following memorandum in support, GTE North will explain the operation of ACM in more detail and identify those portions of Chapter 64 with respect to which waivers are sought.


JOSEPH R. STEWART
(PA. REG. NO. 40280)
100 Executive Drive, Suite 114
Marion, OH 43302
Telephone: 614/383-0227
Attorney for GTE North Incorporated

MEMORANDUM IN SUPPORT

A copy of GTE North's ACM tariff is attached hereto and marked "Exhibit 1". ACM is a completely new tariff pursuant to which GTE North proposes to establish credit limits for its customers. The credit rating established for a customer will establish a credit limit for toll usage. Customers will be advised of their credit limits both initially and when changes occur. The credit limit will be based upon the creditworthiness of the individual applicant and not on any demographic factors.

When a customer exceeds his or her credit limit, GTE North will send a notice so advising the customer and advising that the customer's access to 1+, 0+, and all 900/976/700 calls will be blocked, unless payment is made by the date stated in the notice. In areas served by central offices lacking the capability to toll block, a customer will receive a notice which will inform the customer that their toll credit limit has been exceeded and request that a payment be made. In addition, GTE North will restrict all GTE collect, GTE credit card, and third number-billed calls billed to the blocked number. However, access to the local calling area and emergency services will not be blocked. The customer will be notified that such blocking has been established and of the actions the customer can take to restore the services.

GTE North proposes to use the ACM system on a trial basis for 24 months following the effective date of the tariff. GTE North believes that use of ACM will reduce its level of uncollectible accounts and assist in retaining basic local service for its customers.

GTE North has developed the ACM system after an extensive analysis of the uncollectible problem. GTE North believes that the ACM system will significantly reduce losses in revenue from uncollectible accounts and effectively deter

subscription fraud on new accounts.

GTE North's customers will benefit from both the cost-saving aspects of the ACM tariff and the concentration of GTE North's collection efforts on high-risk accounts rather than the current practice of treating all customer accounts alike. This will, in turn, improve GTE North's relationships with its customers while at the same time serving as an effective collection management tool for the avoidance of bad debt.

Under the current system, after a customer establishes an account, the customer has virtually unlimited toll usage. This leaves GTE North exposed to high-dollar toll fraud. With use of the ACM system based upon the credit score of the individual customer, GTE North can limit high toll usage by high-risk accounts.

Experience in other states shows that a very small percentage of GTE customers will be affected. For example, in Michigan, of a total customer base of approximately 614,000, approximately 2,800 toll notices were sent -- less than one-half of one percent of the total customers.

In order to implement the ACM process, GTE North seeks waivers of the following portions of Chapter 64:¹

1. Sections 64.2 and 64.13. Section 64.2 defines "billing period" as a period of at least 26 days and not more than 35 days. Section 64.13 requires that a local exchange carrier ("LEC") render a bill once every billing period. The waiver GTE North seeks with respect to these sections applies to the proposed

¹Some sections of Chapter 64 are only arguably applicable. To the extent the Commission deems such sections applicable to the ACM tariff, a waiver is sought. To the extent a particular section is not deemed applicable, no waiver is needed.

notice. ACM Tariff, ¶6. Because this notice could be viewed as a bill, and because it could be sent during the billing period after the regular monthly bill has been received, GTE North requests a waiver of Sections 64.2 and 64.13 to the extent those sections are properly interpreted as limiting a LEC to the sending of only one bill every billing period.

2. Section 64.14. This section describes the information which must be contained on a bill. Since the notice is not a substitute for the monthly bill and because customers will continue to receive their regular monthly bill, GTE North does not believe §64.14 is applicable to the notice. However, if the Commission determines that §64.14 does apply to the notice, GTE North requests that it not be required to include on the notice all of the information required by Section 64.14.

GTE North also submits that 66 Pa. C.S.A. §1509 does not prohibit the use of the notice. Customers will still receive a monthly bill, and there are no late charges imposed for any portion of the bill by the notice. Section 1509, by its terms, does not prohibit billing more frequently than once a month (even if it did, this would only be a problem if the notice were viewed as a bill), and is totally silent on the issue of toll blocking.

3. Section 64.61. GTE North seeks a waiver from this section so that it may suspend service when a customer has exceeded his or her credit limit. This waiver is necessary because exceeding the established credit limit pursuant to the ACM tariff is not a ground for suspension contained in this section as now written.

4. Section 64.72. GTE North seeks a waiver of subsection 4(iii) in order that it not be required to offer payment arrangements to a customer who has

exceeded their credit limit. The purpose of the credit limit is to block toll service until the outstanding balance has been reduced. Lifting a suspension prior to that point, merely because of a payment agreement, would defeat the purpose of the ACM.

GTE North also seeks a waiver of subsection (6) so that it is not required to provide a medical emergency notice with the initial notice which advises a customer that access to 1+, 0+, and 900-976-700 calls will be blocked unless payment is made. GTE North customer service representatives have been trained so that, if a customer advises that the customer requires toll service for medical emergency services, GTE North will not implement blocking provided that the customer provides the medical certification described in Section 64.103.

5. Section 64.74(b). GTE North seeks a waiver of this subsection for the same reason set forth above regarding §64.72. Use of payment arrangements would defeat the very essence of the toll block. This waiver is not intended to apply to the obligation to make payment arrangements for local exchange service charges.

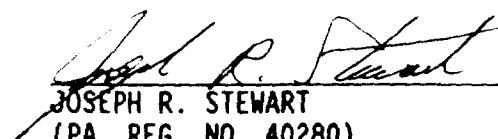
6. Section 64.133. GTE North requests that this section be waived so that toll blocking is not delayed merely because a customer registers a dispute. If a customer can avoid the toll block merely by registering a dispute, the customer will have the ability to incur additional toll charges before blocking is implemented. That would defeat the purpose of limiting uncollectibles by blocking toll service when a prearranged credit limit is exceeded.

7. Section 64.142(4). GTE North wishes to block toll service when the credit limit is exceeded regardless of whether the customer has registered a dispute. Therefore, GTE North purposes not to include in its written summary of

a dispute that toll service will not be suspended pending completion of the dispute process. Accordingly, GTE North seeks a waiver of this provision so that it is not required to state that toll service will not be suspended pending completion of the dispute process.


GTE North respectfully requests that its application for waiver of the above-referenced sections of Chapter 64 be granted. The requested waivers will permit GTE North to implement its ACM tariff. This tariff will result in the reduction of uncollectible accounts, and this will benefit both GTE North and its ratepayers. GTE North submits that the ACM tariff is consistent with the full disclosure, fair dealing, and due process protections contained in Chapter 64.

Respectfully submitted,


JOSEPH R. STEWART
(PA. REG. NO. 40280)
100 Executive Drive, Suite 114
Marion, OH 43302
Telephone: 614/383-0227
Attorney for GTE North Incorporated

VERIFICATION

I, Joseph R. Stewart, on behalf of GTE North Incorporated, verify that the facts contained in the Application for Waiver of GTE North Incorporated are true and correct to the best of my knowledge, information and belief. This Verification is made subject to the penalties of 18 Pa. C.S. §4904 relating to unsworn falsification to authorities.



JOSEPH R. STEWART, ASSISTANT SECRETARY

**GTE Telephone Operations
North Area**

Suite 600
212 Locust Street
P.O. Box 12060
Harrisburg, PA 17108
717 234-5425
Fax 717 234-1456

John O. Dudley
Regional Director
External Affairs

December 9, 1994

Mr. John G. Alford, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265

Dear Mr. Alford:

Enclosed for filing with the Pennsylvania Public Utility Commission are nine (9) copies of Supplement Nos. 38, 34, 32 and 32 to GTE North Incorporated's Tariffs Telephone-Pa. P.U.C. Nos. 1, 3, 4 and 6 respectively.

These supplements are issued to implement a process for establishing credit limits called Advanced Credit Management. This system will be used on a trial basis for twenty-four (24) months.

Please stamp one (1) copy of each supplement and return the same to me.

All correspondence or questions in regard to this matter should be directed to me. My office telephone number is (717) 234-5425.

Very truly yours,

A handwritten signature in cursive script, reading "J. O. Dudley", followed by a circled number "2" in parentheses.

J. O. DUDLEY
State Director-External Affairs

JOD:JAC

Enclosures

GTE NORTH INCORPORATED

EXECUTIVE SUMMARY

During the past few years, GTE has experienced a negative trend in uncollectible dollars. Factors contributing to the increase in uncollectible billings are subscription fraud, ineffective credit management tools and collection processes. Unchecked, the growth trend in uncollectible debts will equate to additional lost revenue to GTE and higher service costs to GTE's established base of customers.

In 1993, GTE established a mechanized system to verify the name and social security number of individuals applying for service initiation. In the event no match or record is found for a service applicant, the applicant is referred to a GTE location or agent for the purpose of verifying identification through the use of a drivers license, state ID card, military ID, immigration card, etc. The positive identification process for new customers discourages the practice of obtaining local telephone service under a fraudulent name, the associated uncollectible dollars and the costs of new installation order provisioning.

GTE is poised to move forward in addressing the growth in bad debt through the adoption of credit procedures currently utilized in the private business sector. In our current environment, a customer has virtually unlimited toll usage. The Advanced Credit Management (ACM) Program is designed to improve billing and collection performance by utilizing state of the art credit extension procedures.

In the Bureau of Consumer Services 1993 Telephone Utilities Report, GTE was identified as having the highest uncollectible index at 5.14% as compared to the industry average of 2.45%. In a effort to address the concern of the Bureau of Consumer Services, GTE is voluntarily implementing ACM at no charge to the customer.

ACM will rely on the use of a third party credit reporting service to obtain credit ratings and mutually agreed upon credit limits for new customers applying for new service. Through the establishment of customer credit limits, GTE will have the ability to control toll usage on accounts exceeding mutually agreed upon credit limits. The credit rating is intended for use in determining which customers will be required to post deposits before service is initiated. In addition, the credit rating will be used as an indicator for use in controlling GTE's exposure to slow collections and bad debts. The benefit to individual customers who encounter possible toll restriction under this program will be a control on the amount of debt they incur, as well as the ability to maintain basic telephone service. Service which might be lost under a traditional service disconnection program.

Another issue identified in the Bureau of Consumer Services 1993 Telephone Utilities Report was GTE's termination rate. With the industry average for residential terminations being 2.46%, GTE's rate was 3.29%. By implementing ACM, customers will have another vehicle to retain basic service. GTE is committed in retaining basic service to their customers.

The three elements utilized in the ACM Program for controlling exposure to bad debts with customers are; 1. Credit Scoring, 2. Behavioral Scoring and 3. Mutually Agreed Upon Credit Limit Toll Restriction. The following sections provide the criteria and utilized for setting credit limits and the features of customer toll restriction.

GTE will use the ACM system on a trial basis for 24 months.

CREDIT SCORING

The attributes of the three credit levels and the credit limits established as a result of the scoring process are:

Low Risk - Unlimited Credit

- No collection judgements
- No collection accounts
- No charge off accounts
- No delinquency history over 30 days past due

Medium Risk - \$300 Credit Limit

- No collection judgements
- Collection accounts have been paid
- No or minimal charge off accounts
- Various degrees of delinquency history from 30-180 days, but paid off or current at time of scoring
- Customer provides positive identification to GTE following a "NO MATCH" on a credit inquiry

High Risk - \$200 Credit Limit

- Collection judgements
- Charge off accounts
- Outstanding collection accounts
- Various degrees of delinquency history from 30-180 days, with accounts delinquent at time of scoring

* A mutually agreed upon credit limit will be established for each new account for combined local service and toll usage. The credit limit will be based initially on a credit score assigned by a commercial credit reporting service (TransUnion, Equifax, TRW) and periodically adjusted up or down as a result of the customer's GTE payment history.

* Customers are to be informed of their credit limits during the application process for service. Changes to account credit limits, as a result of payment history review will be conveyed via advice notices mailed to customers.

* Existing customers will have credit limits established on their accounts through a behavioral scoring process that utilizes only GTE payment history information. Notices will be mailed to customers explaining the ACM program, how credit limits will be assigned and how possible toll restriction will be implemented. Customers will be notified of their initial mutually agreed upon credit limit amount and subsequent credit limit changes through credit limit notices mailed to the billing address.

BEHAVIORAL SCORING

Behavioral scoring attributes and the credit limits established as a result of the scoring are:

Low Risk - Unlimited Credit

- All bills during past 12 months paid in full and on time
- No dishonored checks during past 12 months
- No service deprivation due to non-payment during
- No more than 2 reminder notices on account during preceding 12 months

Medium Risk - \$300 Credit Limit

- Telephone bills not paid on time and in full 5 or more times during the preceding 12 months
- No more than 2 NSF checks for telephone bill payments during the preceding 12 months
- No more than 1 service denial due to non-payment during preceding 12 months
- No more than 5 reminder notices on account during preceding 12 months

High Risk - \$200 Credit Limit

- Six or more telephone bills not paid on time or in full during preceding 12 months
- Three or more NSF checks for telephone bill payments during the preceding 12 months
- Two or more service denials due to non-payment during preceding 12 months
- Six or more reminder notices on account during preceding 12 months

* A behavioral score will be established and maintained on each customer when the program is initiated or after service installation on new customers.

* The behavioral score is to be updated monthly, based on billing and payment behavior during the preceding 6-12 months. New customers will begin behavioral scoring after 6 months and established customers will have 12 rolling months of history evaluated each month.

* An automated behavioral scoring model is to be utilized to assign values for returned checks, payments and adjustments, new charges, dates of first and last payments, date billed, due date of bill and balance forward, when calculating a revised behavior score.

* The customer's initial and subsequent behavior score is to be the basis for determining the frequency of re-scoring, i.e. low risk accounts reviewed quarterly or semi-annually, high risks accounts monthly.

* The customer's behavioral score is to be used as the basis for adjusting toll blocking credit limits.

TOLL RESTRICTION

- * Toll restriction will be applicable only in electronic offices.
- * Access to the toll network is to be restricted after the customer receives a Notice of Credit Limit Exceeded and does not make arrangements to pay the amount identified on the notice. Basic service will not be terminated because of this notice.
- * Written notice is to be sent to customers advising that their accounts have been toll restricted.
- * Toll restricted customers will be reminded that access to the toll network has been restricted through the use of a recording whenever an attempt is made to dial 1+ or 0+ calls.
- * Toll restricted accounts will retain local dial tone, local calling and access to emergency services.
- * Restricted accounts will have toll access restored when total outstanding telephone charges have been paid, an arrangement has been reached to make payment or manual intervention by a GTE customer service representative following contact regarding special circumstances.